

Risk Attitude, Access to Credit, and Micro-Entrepreneurial Performance in the Handloom Industry in North East India

Abstract

The present study attempts to analyze the financial risk attitude and the influence of different factors on the financial risk attitude, access to credit, and performance of micro-entrepreneurs in the handloom industry of North East India. The study is based on primary data collected from 344 respondents and confined to Arunachal Pradesh, Assam, and Meghalaya. Holt and Laury's method of risk elicitation, Probit, Logit, and Mincerian earning regression models are used for analyses. Results show that education, access to credit, access to training, and individuals' income play crucial roles in influencing the risk aversion of the micro-entrepreneurs. These determinants are found to have a more influence in lowering the risk aversion of the female micro-entrepreneurs compared to the male micro-entrepreneurs. The influence of gender, age, marital status, education, family size, family business background, and bookkeeping vary across the states on financial risk aversion attitude. The decomposition of gender differences in risk attitude shows that the increase in income and family size increase the likelihood of the male micro-entrepreneurs being risk lovers. In contrast, education, training, income, family size, marital status, and bookkeeping increase the likelihood of the female micro-entrepreneurs being risk lovers. A micro-entrepreneur's access to credit is positively and significantly influenced by education, firm size, bookkeeping, documentation, and market access. Gender, maintenance of bookkeeping, risk aversion attitude, firm size, access to technology, type of clothes, family labor, access to training, access to credit, and access to market significantly influence the volume of production and income levels in a handloom micro-enterprise. The study concludes that vocational education and training programs emphasizing risk vulnerability and coping strategies are essential for rural female micro-entrepreneurs. Better dissemination of financial inclusion programs with a follow-up strategy, financial literacy, awareness of available bank products, and risk management are essential to improve the access to institutional credit of micro-entrepreneurs. Easy access to capital, subsidized raw materials like silk yarns and mechanized looms, training, and market accessibility for the handloom products are vital to improving the micro-entrepreneurs' performance.

Keywords: Handloom industry; financial risk attitude; gender; access to credit; micro-entrepreneurial performance.